

**MINUTES
REGULAR MEETING
AUDIT COMMITTEE
June 27, 2012**

Committee Members Present: Council Members Diane Hofstede and Betsy Hodges; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Member Stephanie Woodruff (Quorum 4)

Committee Members Absent: Council Member Barbara Johnson; Citizen Member Darrell Ellsworth

Chair Hofstede called the meeting to order at 9:35 a.m. in Room 317 City Hall, a quorum being present.

1. Adopt Agenda

2. Accept Minutes of the Regular Meeting of April 25, 2012.

Hofstede moved adoption of the agenda and acceptance of the minutes.

Adopted upon a voice vote.

Absent - Johnson, Ellsworth.

Unfinished Business

3. Audit Committee Workshop Update.

Hofstede informed the committee that the Workshop would be held on July 18.

New Business

4. Unisys Contract Report:

- a) Review Internal Audit Report; and**
- b) Direct staff to publish report**

Magdy Mossaad, Internal Auditor, reviewed the report and recommendations with a PowerPoint Presentation. He introduced Sameer Gupta, KPMG, who had worked with the audit team as a subject matter expert during the review. Also present were Otto Doll, Minneapolis Chief Information Officer (CIO) and Paul Aasen, City Coordinator.

The Committee discussed/questioned:

- The renewal of the Unisys contract without receiving competitive bids
- The need to work with Unisys to benchmark that the City is receiving most favored pricing and/or taking advantage of special promotional rates or discounts from Unisys, as spelled out in the contract

Otto Doll, CIO, addressed questions posed by the Committee. The original contract with Unisys began January 1, 2003 through a competitive process. In 2007 and 2010 the contract was extended and changed to deal with the City's financial constraints and

to add security services. The vast majority of IT services come through this contract so the ability to transition to a different provider, or set of providers, would require a fair amount of money. There had been a full-time contract management employee just for the Unisys contract, but that position was eliminated and now one individual manages all contracts. Because Unisys has non-disclosure agreements with several of their clients, they could not comply with the contract language to provide comparisons of the City's pricing against other clients' pricing. He had performed several spot checks and was able to verify that Unisys was giving the City the best pricing on PCs. He did not see any concerns raised in the audit report where the risk level was at a point where the situation would have to be addressed immediately. Changes will be considered in light of resources.

Paul Aasen, City Coordinator, stated that the Unisys contract was on the radar screen. It was his intent that the Council have a conversation regarding long-standing contracts as well as reconcile opportunity costs relative to departmental missions and opportunity costs relative to improving a process.

Hodges moved to direct staff to publish the report and forward the report to the City Council.

Adopted upon a voice vote.

Absent - Johnson, Ellsworth.

Report of Internal Auditor

5. Update on Audit Activities

Internal Audit interns Jonny Brennan and Shayna Gilbert, both from the University of Minnesota, introduced themselves to the Committee.

Hodges moved to require the Internal Auditor to include in all audit reports a section containing the projected cost, as determined by the audited department, of implementing each of the internal auditor's recommendations.

Adopted upon a voice vote.

Absent - Johnson, Ellsworth.

Hofstede moved to adjourn at 10:27 a.m.

Adopted upon a voice vote.

Absent - Johnson, Ellsworth.

Submitted by: Peggy Menshek, Council Committee Coordinator/City Clerk's Office